REMARKS

Favorable reconsideration of this application in view of the following discussion is respectfully requested. Claims 1-63 are pending.

On page 17 of the outstanding Office Action, the Examiner requested identification of prior art concerning the "Chicago Board of Trade publication." Applicant believes the Examiner is referring to Appendix G of the Listing of Non-Published Information and Statement of Relevancy filed February 3, 1993 in parent Application Serial No. 09/209,746, which is now U.S. Patent No. 6,304,858. The Examiner is respectfully requested to telephone the undersigned if this was not, in fact, the document to which the Examiner was referring.

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On page 2 of the outstanding Office Action, Claims 1-63 were rejected under 35 U.S.C. § 102(b) as being unpatentable over U.S. Patent No. 6,317,727 to May ("May"). Applicant respectfully traverses this rejection on the grounds that independent Claims 1, 18, 19, 24, 38, 39, 44, 58, and 59 each define an invention, which when considered as a whole is neither anticipated by nor obvious over the May reference.

An important feature of the present invention is that a standardized contract can be traded through an exchange that guarantees payment to the buyer of any amount owed to the buyer from the seller and that guarantees payment to the seller of any amount owed to the seller from the buyer. This means the inventive contract can be bought and sold in the same manner that one might purchase IBM, Microsoft, or Yahoo stock, for example. Since the present invention also provides a financial instrument that has a price sensitivity similar to an interest rate swap, the present invention is able to provide a standardized financial instrument that behaves similarly to an interest rate swap. As defined by Claim 1, the present invention includes a method that includes the step of "trading a standardized contract obligating a buyer and a seller to settle the contract based on a price of the contract at a first effective date,

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correctly 2 bil k!
s w/ buyer
s w/ exchange to perform trade

LOAN OR BOND DUE

through an exchange that guarantees payment to the buyer of any amount owed to the buyer from the seller as a result of the contract and that guarantees payment to the seller of any amount owed to the seller from the buyer as a result of a contract" and "determining, using a computer, the price of the contract based on at least one notional cash flow discounted by at least one point on an interest rate swap curve obtained from a swap rate source." The invention of Claim 1 advantageously eliminates the need for two counterparties to negotiate a separate contract each time they want to engage in an interest rate swap. With the present invention, an entity that wishes to take on risk similar to an interest rate swap simply has to purchase the inventive contract through an exchange rather than find another counterparty willing to accept the desired terms of an interest rate swap contract.

interest

insurance? pledge

Libor index

False; K w/ exch

London LIBOR INDEX

Same w/ LIBOR - no neg

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The May reference is directed to a system for monitoring credit risks in an electronic trading system. Among the various contracts that a user can enter into are interest rate swaps and interest rate swap options. Col. 18, lines 14-27. However, what the May reference discloses is nothing more than a slightly enhanced system of the type described in the background section of the present invention. In other words, each of the parties wishing to enter into a swap must find another contracting party in order to contract for a swap. This is apparent because the May reference specifically states that the parties to the swaps and other contracts are "counterparties." See, e.g., col. 9, lines 8-11. The contracts are also referred to as "bilateral contracts." See, e.g., col. 10, line 30.

via exchange

?? true via exchange

fig 18: sell to counterparty who is buyer as in applicant

buyer & seller

With May, users must select the different parameters that they wish to negotiate in for a particular derivative instrument. Col. 21, lines 55-58. The only thing about the May system that is standardized is that the parameters must be selected from a limited set, such as those provided in column 18, so that the different users can interpret each other's various offers.

STILL BILATERAL K w/ exchange ~~EXCHANGE~~ and seller

principal fixed, ~~fix~~ mat for i, mat to adj i for mat, plus prem paid for differ

Risk similar: risk of maturity date

FRW i rate plot fig 21 (412) to get i rate = Discounts prem or discoun 3 P.V. of future Exp(i) rates

same as cl / bottom on p 2 "standardized K"

K! offer accept consider

K have to standardized to trade on exch

As such, the invention of the May reference simply provides an electronic forum that allows users to see other user's offers for various types of contracts and, more importantly, to provide what May calls "credit risks" so that the various parties to the contract. "The credit preference feature of the present invention provides for the bilateral credit status between two entities to be captured, structured and used anonymously for the trading a wide range of financial contracts." May, col. 23, lines 1-4.

An important feature of May, however, that is entirely different from the present invention, is that the parties to a swap are still forming a bilateral contract with one another rather than an exchange. That is why the trading system of May provides credit risks – because the parties are directly responsible to each other for their performance on the contracts. According to May, "[n]o funds are transferred between the parties at the time the contract is created. Rather, the contract places an obligation on both over the term of the contract." Col. 24, lines 57-60. The user, not the trading system, selects the type of instruments in the system of May. See, e.g., col. 33, lines 43-58. That is why the system of May has to allow the parties to negotiate the non-commercial terms of a transaction after a contract has been entered in to by the counterparties. Col. 3, lines 3-5.

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Thus, it can be appreciated that the May reference is merely a conventional interest rate swap contract system which provides the additional advantage of matching users with the credit preferences of the traders in the system. Col. 39, lines 16-18. Clearly, May does not teach or suggest trading a standardized contract obligating a buyer and a seller to settle the contract based on a price of the contract at a first effective date, through an exchange that guarantees payment to the buyer of any amount owed to the buyer from the seller as a result of the contract and that guarantees payment to the seller of any amount owed to the seller from the buyer as a result of the contract, as defined by Claim 1. Accordingly, May is not believed to anticipate or make obvious the invention of Claim 1.

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Therefore, Applicant submits that Claim 1 and all claims dependent therefrom patentably distinguish over the May reference. Since, independent Claims 18, 19, 24, 38, 39, 44, 58, and 59 include features that patentably distinguish over the May reference for at least the same reasons as Claim 1, Applicant also submits that those independent claims and all claims dependent therefrom patentably distinguish over the May reference.

In view of the foregoing discussion, no further issues are believed to be outstanding in the present application. Therefore, Applicant respectfully requests that the present application be allowed and be passed to issue.

Respectfully submitted,

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